

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 SCEM-02 DODE-00 PM-09 H-02 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-12 RSR-01 INT-08 /157 W
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R 091635 Z MAY 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 7386

INFO AMEMBASSY CARACAS

AMEMBASSY LIMA

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E. O. 11652: N/A

TAGS: ENRG, PE

SUBJECT: OCCIDENTAL'S PERUVIAN DISCOVERIES QUESTIONED

REF: LIMA 2920

1. OVER THE PAST MONTHS THERE HAVE BEEN SEVERAL ANNOUNCEMENTS OF OIL DISCOVERIES BY OCCIDENTAL IN THE PERUVIAN ORIENTE, SOME CLOSE TO THE ECUADOREAN BORDER. THESE WELLS HAVE USUALLY BEEN REPORTED AS TESTING AT 4,000 B/D OR BETTER. WE WOULD HAVE EXPECTED THESE REPORTS TO AWAKEN STRONG INTEREST IN THE GOE FOR PUSHING AN AGGRESSIVE EXPLORATION CAMPAIGN ALONG THE ECUADOR-PERU BORDER IN THE ORIENTE. THIS INTEREST HAS NOT APPEARED. AMOCO, WHICH HELD THE CONCESSION ON THE BORDER, DRILLED UNSUCCESSFUL WELLS AND RELINQUISHED ITS ACREAGE.

2. LOCAL MANAGERS FOR AT LEAST THREE US OIL COMPANIES IN ECUADOR HAVE SEPARATELY COMMENTED THAT THEY BELIEVED THE REPORTED PRODUCTION RATINGS OF THE WELLS BROUGHT IN
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PERU WERE SUBSTANTIALLY EXAGGERATED. ONE OBSERVED THAT THE SIZE CHOKE AND DURATION OF ONE WELL TEST COULD NOT POSSIBLY GIVE A RELIABLE INDICATION OF THE WELL'S POTENTIAL. OTHERS CLAIM TO HAVE SEEN THE LOGS ON OXY'S WELLS AND SAY THEY DO NOT WARRANT THE COMPANY'S PUBLIC OPTIMISM. ANOTHER COMMENT HEARD HERE IS THAT THE RESERVES DISCOVERED SO FAR IN THE PERUVIAN ORIENTEOURSE SEVERAL YEARS TO REQUIRE DELINQUENT MEMBERS TO PAY OVERDUE ASSESSMENTS. US HAS STEADFASTLY SUPPORTED THESE EFFORTS IN PRINCIPLE.

2. ACCORDING PRESENT ASSEMBLY WORK PLAN EXECUTIVE BOARD'S RECOMMENDATION WILL BE CONSIDERED BEFORE EITHER DG'S 25 PERCENT PROPOSAL OR NORTH KOREAN MEMBERSHIP APPLICATION, ON BOTH ISSUES OF WHICH THE US HAS SOLICITED AND GAINED DOMINICAN REPUBLIC'S SUPPORT. ESTIMATE HERE IS THAT LOSS OF DR VOTE ON KOREAN ITEM MORE SIGNIFICANT THAN ON 25 PERCENT ISSUE.

3. DELEGATION PREPARED TO FOLLOW ITS INSTRUCTIONS ON ISSUE OF SUSPENSION OF VOTING PRIVILEGES OF MEMBERS IN ARREARS WHICH CALLS FOR IT TO DISCOURAGE ANY ACTION WHICH WOULD DEPRIVE DOMINICAN REPUBLIC OF ITS VOTE AT THIS ASSEMBLY. A COMPLICATING FACTOR IS THAT THUS FAR NO DOMINICAN REPUBLIC REPRESENTATIVE HAS APPEARED ON SCENE. TO GIVE PURPOSE TO OUR POSITION IT IMPORTANT (A) DOMINICAN REPUBLIC SEND DELEGATE TO GENEVA TO REPRESENT IT IN WORLD HEALTH ASSEMBLY (TELEGRAPHIC VOTING NOT POSSIBLE) OR ALTERNATIVELY ACCREDIT A PERSON PRESENTLY IN EUROPE SUCH AS A REPRESENTATIVE FROM ITS MISSIONS HERE OR IN BERN AND (B) THAT AT LEAST A TOKEN PAYMENT BE MADE ON ITS CONTRIBUTION ARREARS.

4. FROM OUR VIEWPOINT DEPRIVATION OF DOMINICAN REPUBLIC VOTING RIGHTS COULD BEST, AND PERHAPS ONLY, BE DISCOURAGED BY SUBSTANTIAL TOKEN PAYMENT BY IT ON ITS ARREARS. UNLESS THIS ACTION TAKEN WE SEE NO HOPE OF PREVAILING AGAINST EXECUTIVE BOARD RECOMMENDATION. NOTE: IN VIEW HISTORY OF UNFULLFILLED PAYMENT ASSURANCE BY GOVERNMENT OF DOMINICAN REPUBLIC, IT CANNOT BE EXPECTED THAT EXECUTIVE BOARD RECOMMENDATION WILL BE MODIFIED UNLESS PAYMENT ACTUALLY EFFECTED OR OTHERWISE COMMITTED.

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5. IF DR DOES NOT ATTEND AND MAKE AT LEAST TOKEN PAYMENT IT BELIEVED US DEL OPPOSITION TO EXECUTIVE BOARD RECOMMENDATION WOULD BE OF NO AVAIL, WOULD BE INCONSISTENT WITH OUT PAST RECORD ON THIS ISSUE AND MIGHT BE COUNTERPRODUCTIVE WITH RESPECT TO OTHER ISSUES. UNDER

THESE CONDITIONS, THEREFORE, WE WOULD PLAN TO SUPPORT
EXECUTIVE BOARD RECOMMENDATION UNLESS ADVISED BY
DEPARTMENT TO CONTRARY. BASSIN

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